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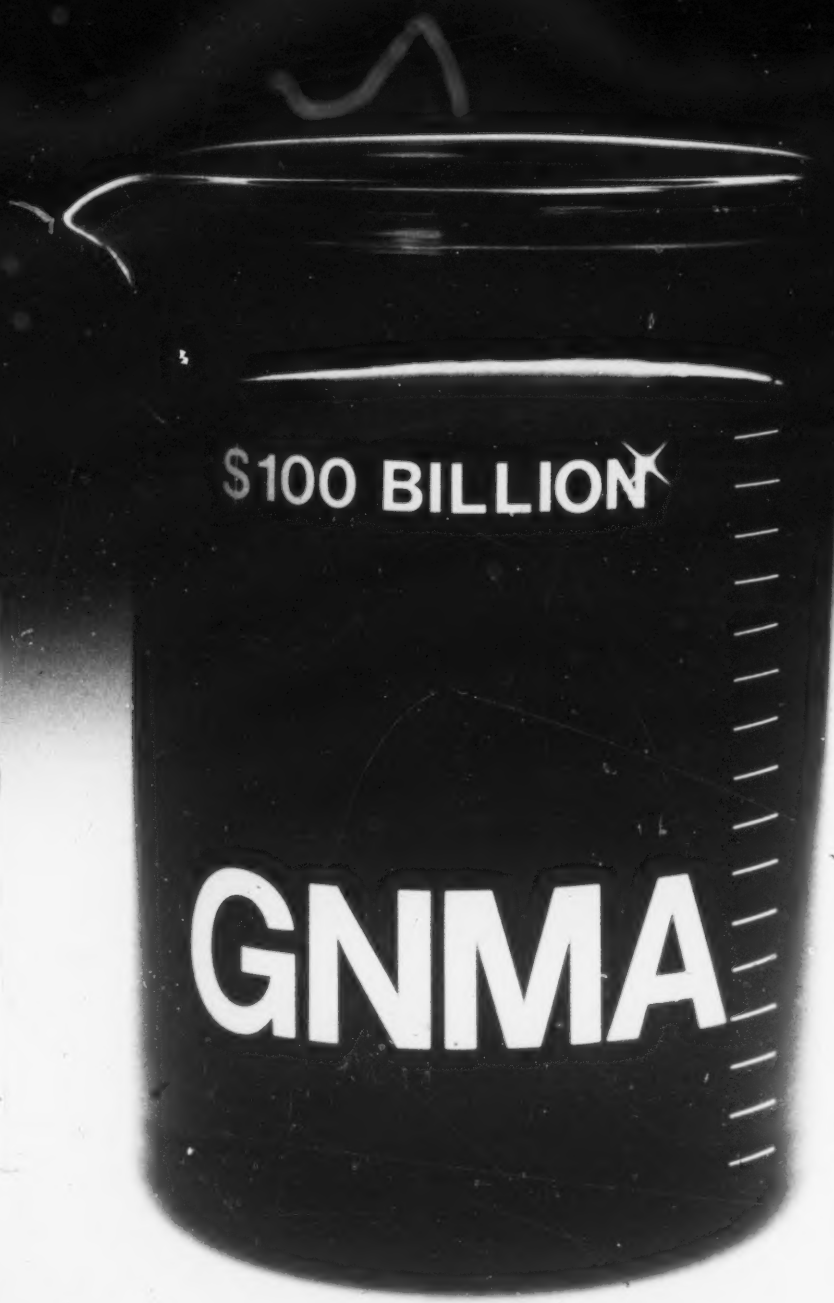

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THE GNMA MARKET

A Retrospective

James J. Connolly

Recently, the GNMA market surpassed the $100 billion mark. The creation of this liquid forward delivery market in just over ten years has to give a sense of satisfaction to all the parties involved—investors, mortgage originators, dealers, clearing banks, and the Government National Mortgage Association. In addition, this security has helped pave the way for the development of other mortgage securities and has created a better understanding of the credit and value of the single-family mortgage. Because of this security, the mortgage and capital markets are no longer considered mutually exclusive. Today, mortgage securities and even blocks of mortgages themselves are an accepted investment alternative for most fixed income portfolio managers.

These achievements did not come easily. Bond portfolio managers had to change their accounting and back office support systems and reorient their concept of yield and performance measurement within the context of an immediate and forward delivery market. The Government National Mortgage Association, mortgage originators, dealers, and clearing banks had to set up procedures and standards for trading and clearing a completely different type of security. All of these problems had to be solved in the highly volatile market environment of the seventies. The following is a chronological history of these events, broken down into the three major stages leading to the ultimate maturity of the GNMA security in the marketplace.

The author is vice president, Salomon Brothers, New York City.

GNMA Market (1970–1973)

As with most new markets, the initial period of development for GNMA's was slow and required considerable education for both the issuers (predominantly mortgage bankers) and investors. Fortunately for the GNMA market, its initial phase coincided with a period of monetary ease. This accelerated its acceptance, since the thrift industry was experiencing a high degree of liquidity and limited mortgage loan demand. Since mortgage lending is their primary use of funds, the thrift industry already understood the value of the security and its underlying mortgage collateral. In addition, the booking of real estate qualifying assets, whether in the form of conventional, FHA-VA, or GNMA pass-throughs, was a simple procedure.

Private pension and public retirement systems, on the other hand, were not as receptive. Portfolio managers used this period to study the liquidity in the market, its spread relationships, its accounting idiosyncrasies, and the performance measurement implications of this new security. A study of the outstanding volume and breakdown of investors (see Table 1) vividly portrays the sharp distinction with which different institutions perceived the GNMA pass-through mar-

ket during this 1970-1973 period.

As can be seen, the thrift industry (saving banks, savings and loans, credit unions) held approximately 75 percent of the outstanding issues at the end of 1971. This percentage declined to 60 percent at the end of 1973 as interest rates began to climb. The savings and loan industry, the largest single purchaser of GNMA pass-throughs to this time, began to experience disintermediation and cut its commitments accordingly. With the problem of taking losses preventing any major selling pressure by the thrifts, the market's recognition that a major participant would discontinue its support caused the yield spreads vs. corporates to widen from the narrow points in June and July of 1973.

As the yield spreads widened, the relative value of the GNMA pass-through became very apparent to the non-traditional mortgage investor. Suddenly, the substantial yield pick-ups of September 1973 overcame the conceptual problems that had kept these institutions on the sidelines of the GNMA market.

GNMA Market (1974–1977)

During the brief rally that began in late 1973, the GNMA yield spreads once again narrowed. However, it was not long into 1974 before they began to widen dramatically again. The thrift industry, for all practical purposes, left the GNMA market completely as short-term interest rates rose to historic levels. A bear market usually produces many severe distortions in yield spreads. This was certainly the case in 1974.

Again, as in September 1973, the yield spreads widened dramatically. The flight to quality and the oil-induced problems of utilities contributed to the large spreads vs. long treasuries and the reversal from 1973 to a negative spread on the part of utilities. One of the few categories of institutional investors to take advantage of these aberrations was the pension and retirement funds group. A stable flow of funds, plus more flexibility toward taking bond losses, enabled them to begin participation in the market when others were temporarily forced out due to disintermediation.

From an historical perspective, 1974 marked the beginning of a more balanced participation by all types of institutions. The years 1975 and 1976 saw the return of thrift institutions and commercial banks to the market, while the pension and retirement funds continued to expand their activities in the GNMA market. The 1977 volume figures (Table 2) show a definite shift in percentages from thrift institutions to other investors.

In analyzing these volume figures, it is important to note that the nominee group also encompasses pension and retirement funds and insurance companies, among others. It has been estimated that approximately one-third of the nominee group is made up of pension funds. Also of interest is the growth in the mortgage banker/dealer category. While both could have large inventories or trading positions, neither can really be considered a permanent investor. This percentage is more representative of GNMA positions in various stages of distribution.

Probably 1975 and 1976 were the most dynamic years in GNMA's short history. More than $20 billion in new securities were issued, $5 billion of which came to market on an auction basis. Beginning in January 1975 and ending in December 1976, GNMA, through competing dealer syndicates, held 21 auctions of GNMA's, predominantly 7¼s and 7½s. This auction activity, coupled with a surge in the number of issuers, ac-

TABLE 1—GNMA INVESTORS: PERCENTAGE OF TOTALS, 1971–73

Date: / Outstanding Volume:	Dec. 1971 $3.15 Billion	Dec. 1973 $8.77 Billion
Savings Banks	19.19%	21.56%
Savings and Loans	49.22	33.29
Credit Unions	6.67	5.13
Commercial Banks	3.99	5.70
Pension Funds	5.09	7.06
Mortgage Bankers/Dealers	7.54	10.07
Nominee and others	7.74	15.27
Individuals	0.56	1.92

TABLE 2—GNMA INVESTORS: PERCENTAGE OF TOTALS, 1974–77

Date: / Outstanding Volume:	Dec. 1974 $13.3 bil.	Dec. 1976 $34.5 bil.	Dec. 1977 $51.97 bil.
Savings Banks	18.03%	13.02%	11.74
Savings and Loans	30.40	19.62	14.75
Credit Unions	4.01	2.59	2.58
Commercial Banks	5.92	5.34	5.97
Pension Funds	7.72	9.98	11.39
Mortgage Bankers/Dealers	10.58	20.30	17.30
Nominee and others	21.70	28.05	35.04
Individuals	1.64	1.10	1.23

TABLE 3—**GNMA INVESTORS: PERCENTAGE OF TOTALS, 1978–80**

Date:	Dec. 1978	Dec. 1979	May 1980
Outstanding Volume:	$67.3 bil.	$92.27 bil.	$100.26 bil.
Savings Banks	11.0	9.8	9.7
Savings and Loan	13.7	15.3	15.6
Credit Unions	2.4	2.1	2.0
Commercial Banks	5.9	5.9	5.7
Pension Funds	11.5	9.8	9.5
Mortgage Bankers/Dealers	13.1	6.6	6.2
Nominee and others	41.1	48.9	49.6
Individuals	1.4	1.6	1.7

counted for the inordinately large jump in outstandings during the period. Additionally, in 1976 we were in the midst of a bull market that facilitated an enormous amount of trading activity among all participants. All of this activity created an exceptional degree of liquidity in a market that only a few years earlier had been quoted with a one point spread between bid and ask.

The monthly auctions triggered considerable interest among the public retirement systems, particularly for pools created in their state. Their activity stimulated other developments and led to the use of sophisticated matrix swapping techniques.

At this stage, the GNMA began to mature into a security that is now used as a viable alternative to corporates, treasuries, agencies, other GNMA's, as well as mortgages. The portfolio manager must now consider these factors when measuring the relative value of a particular GNMA transaction.

GNMA Market (1978–1980)

The GNMA market continued to grow rapidly in spite of record setting interest rates. Approximately $25 billion in GNMA securities were created in 1979 alone, and 1980 promises to be another $20 billion plus year. Once again, as in the 1973–1974 period, thrift institutions were forced to the sidelines of the market, although this cyclical transition was modified somewhat by the six-month money market certificate. As in the past GNMA yield spreads tended to widen; however, the lack of thrift participation in the market was not the significant factor. The huge supply of 1979, the snap-up in the intermediate yield curve, a preference for discount GNMA's, and an increasing supply of other mortgage alternatives were the primary factors. During the past six years, the GNMA security has achieved wide acceptance among a broad base of investors, and, as a result, its yield spreads will not be as sensitive to the ebb and flow of a particular institutional investor group (see Table 3).

Another significant development of this period was the application of bond portfolio analysis techniques to the mortgage security market. The first areas to be developed were the concepts of mortgage life and mortgage yield. While investors had become generally aware of the yield impact of fast and slow pay mortgage pools, an in-depth analysis of this area was not begun until the late 70's. Intensive historical research supported by computer applications helped introduce new concepts to measure mortgage yield more accurately. Today, the 12-year prepay life is still used as the trading convention, but it is rapidly being supplemented by other more sophisticated analysis such as "percentage of FHA experience" and "cash flow yield."

The introduction of bond-swapping techniques and more accurate ways of measuring yield were all part of the maturing process for this security. The next step in this process was the creation of a performance measurement index. Portfolio managers subject to performance measurement were one of the last investor groups to fully participate in the GNMA market. While their initial liquidity and accounting objections were gradually overcome, the question of performance measurement took longer to answer. In 1979, Salomon Brothers introduced its Total Rate of Return Index for Mortgage Pass-Through Securities. The index analyzes approximately 28,000 mortgage pools for principal return, interest return, and reinvestment return on a monthly basis. It also provides a bench mark for comparing bond and mortgage security performance. In addition, it can isolate sectors of the mortgage security market that outperformed the total universe of GNMA's, Participation Certificates, and Conventional Pass-Throughs. The combination of actual paydown history with computer applications provided the foundation for sophisticated swap analysis and performance measurement.

Another chapter in the GNMA story began on April 23, 1979, with the introduction of the GNMA Graduated Payment Mortgage (GNMA-GPM). In contrast to the level payment GNMA, the GNMA-GPM calls for an increase in the monthly payment of 7½ percent per year for five years and then continues at this higher payment for the remaining life of the mortgage. Because the monthly payments are not sufficient to cover the debt service of the loan in its earlier years, the shortfall is added to the principal balance as deferred interest. This being the case, the average life of the GPM, assuming no prepayments, is slightly longer than the level payment GNMA and requires different tables.

The GNMA-GPM market has experienced somewhat the same start-up problem as the level payment GNMA. Liquidity and accounting problems, while not entirely valid, seem to be the major investor objections. For example, one can not argue over the market value of GNMA-GPM's. The dollar takeout versus comparable premium coupon level pay GNMA's has traded at over 6 points in 1980. This has to be viewed as an aberration of the transition from a bear to bull market.

The future of the GNMA-GPM looks very promising as originators and first-

time homeowners seek to cushion the monthly mortgage payment. From an investor's perspective, liquidity is improving with over $3 billion outstanding, and current dollar spreads versus level payment GNMA's more than compensate for any perceived differences. (See "The GNMA-GPM Security—Its Yield and Trading Characteristics," *Mortgage Banker* magazine, September 1979, page 44).

While there were many positive developments during the 1978–1980 period, it also produced the most problems from a supervisory and regulatory perspective. On one hand, the complete flexibility of both an immediate and future settlement market for both mandatory and optional delivery accelerated the expansion of the investor base, trading activity, and liquidity. On the other hand, it led to a series of over-commitments in a limited, but well publicized, number of cases. This led to increased scrutiny from a credit point of view on the part of the dealer community. It also created a series of regulations from the National Credit Union Administration, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation. The ultimate outcome of this trend is still under debate, but ideally, the final outcome will strengthen rather than handcuff the creative forces of this market.

The GNMA security stands as a symbol of what our marketplace can achieve in a short time.

Conclusion

The GNMA security stands as a symbol of what our innovative marketplace can achieve in a short period of time. Not only did the market create and distribute over $100 billion in securities, it developed many adaptations of the basic theme—GNMA standbys, GNMA GPM's, GNMA Mobile Homes, GNMA Construction Loan Certificates, and GNMA Permanent Loan Certificates. It also set in motion a series of transitional steps that guided the fixed income investor from the full faith and credit of the GNMA to the corporate instrumentality guarantee of the Federal Home Loan Mortgage Corporation and finally to the private sectors pooling and hazard insurance of the Conventional Pass-Through Security. Also, it was the catalyst that helped the investor ultimately understand both the nature and credit of the single-family mortgage. Without the GNMA security, this would have required many more years of education. □

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Mortgage Market Trends

Prepared by MBA's Economics Department

August 20, 1980

Not too long ago, it appeared that the economy had taken the initial steps on the road to recovery. In recent weeks, however, various economic indicators have given off mixed signals as to the timing and magnitude of that recovery. This is particularly true for the long beleaguered housing sector.

July witnessed the second straight month of increased activity in housing construction, with housing starts edging up 4.8 percent to a seasonally adjusted annual rate of 1.264 million units. This represents a sharp slowdown from the 33.3 percent rebound recorded in June. While July housing starts reached their highest level since the recession began in February, the level of starts for July 1980 remained 28.2 percent below that of July 1979.

The July increase in housing starts was due entirely to the advance in one-to-four-unit construction. In fact, multifamily residential construction actually declined in July. The strength in the one-to four-unit sector can probably be attributed, at least in part, to seasonal factors.

Building permits, a harbinger of future construction activity, also increased in July. Permits increased 15 percent to a seasonally adjusted annual rate of 1.24 million units. The continued strength exhibited by building permits would seem to indicate that the past two months' brief recovery in housing activity should continue for at least another month.

The improved construction picture is coupled with an upturn on the sales front. Sales of both new and existing houses have increased markedly in recent months, and the supply of new homes at the current sales rate, a popular inventory measure, dipped to 7.8 months in June. This is a substantial improvement from the 12.5 months supply level experienced last April.

A number of clouds, however, darken the horizon. After declining dramatically in the late spring and early summer, mortgage interest rates have begun to climb again. Interest rates on conventional mortgages rose about 200 basis points between early July and mid-August, when they reached the 13.5 percent range. It would seem that unless this upswing is reversed, it will mitigate against a substantial recovery.

Compounding the problem is the fact that the recent rebound in the 26-week Treasury bill rate caused thrift institutions to lose their competitive rate advantage over commercial banks in selling the popular six-month money market certificates. This development can be expected to have a negative impact on the return of deposits into S&Ls and savings banks--funds that could have flowed into mortgages. Thus, unless some improvement in the housing finance picture develops soon, the recovery in the housing sector will probably prove to be disappointingly weak.

Frances E. Wrocklage, Senior Economist

MORTGAGE MARKET TRENDS—SEPTEMBER 1980

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual			PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate			HOUSING STARTS: Actual			HOUSING STARTS: Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1979												
MAR	141	103	38	1,531	1,103	428	153	120	33	1,800	1,394	406
APR	139	106	33	1,437	1,082	355	161	131	30	1,750	1,386	364
MAY	162	111	41	1,618	1,163	455	189	144	45	1,801	1,349	452
JUN	156	112	44	1,639	1,144	495	193	147	46	1,910	1,399	511
JUL	158	104	54	1,528	1,136	392	164	130	34	1,764	1,352	412
AUG	152	111	41	1,654	1,181	473	172	133	39	1,788	1,389	399
SEP	140	90	50	1,775	1,166	609	164	117	47	1,874	1,360	514
OCT	141	96	45	1,542	1,064	478	169	122	47	1,710	1,268	442
NOV	98	64	34	1,263	850	413	119	82	37	1,522	1,094	428
DEC	81	52	29	1,244	899	345	92	65	27	1,548	1,165	383
1980												
JAN	75	52	23	1,264	882	382	73	56	17	1,419	1,219	290
FEB	76	54	22	1,142	801	341	80	55	25	1,330	887	443
MAR	82	56	26	932	627	305	85	59	26	1,041	705	336
APR	77	54	23	789	536	253	96	71	25	1,030	728	302
MAY	77	56	21	825	576	249	92	73	19	913	714	199
JUN	100p	69p	31p	1,059p	722p	337p	112p	82p	30p	1,191p	814p	377p
5 months												
1980	387	272	115				426	314	112			
1979	607	443	164				676	524	152			
1978	666	490	176				771	598	173			
1977	649	492	157				751	606	145			

VALUE OF NEW CONSTRUCTION PUT IN PLACE

(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Non-Res
1979				
MAR	119,211	61,376	14,967	42,868
APR	121,155	59,897	16,943	44,315
MAY	122,818	59,915	16,915	45,988
JUN	125,955	60,617	17,802	47,536
JUL	127,697	61,059	17,916	48,722
AUG	127,149	61,381	17,915	47,853
SEP	128,898	61,308	19,055	48,535
OCT	130,677	60,858	19,005	50,814
NOV	130,358	59,218	19,749	51,391
DEC	132,078	57,753	20,751	53,574
1980				
JAN	137,295	58,439	22,224	56,632
FEB	130,053	54,463	20,664	54,926
MAR	120,768	48,797	19,628	52,343
APR	113,411	42,980	17,723	52,708
MAY	108,104	38,057	17,131	52,916
JUN	104,081p	35,590p	16,271p	52,220p

HOUSE SALES

(Units in thousands)

Year and Month	EXISTING HOUSES[1]: Sold	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1979				
MAR	334	73	416	5.7
APR	333	72	417	5.7
MAY	371	69	426	6.2
JUN	344	64	420	6.6
JUL	343	66	421	6.3
AUG	377	69	419	6.1
SEP	314	62	414	6.7
OCT	329	55	416	7.6
NOV	255	41	409	10.0
DEC	197	34	403	11.8
1980				
JAN	209	43	393	9.2
FEB	220	44	381	8.7
MAR	243	43	370	8.6
APR	224	36	361	10.2
MAY	219	43	349	8.1
JUN	233	47p	343p	7.2p
5 months				
1980	1,115	211		
1979	1,542	324		
1978	1,574	360		
1977	1,405	368		

RESIDENTIAL STRUCTURES, BY REGION

(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual				Seasonally Adjusted Annual Rate				STARTS: Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1979																
MAR	12	25	62	42	143	294	646	448	12	26	75	40	190	368	780	462
APR	14	31	51	43	142	297	543	455	15	34	65	47	171	356	692	531
MAY	18	37	60	48	181	328	616	493	18	50	72	51	173	396	734	498
JUN	18	34	59	45	199	332	636	472	19	24	79	51	178	371	862	499
JUL	15	27	51	45	161	281	585	501	18	36	68	43	174	356	765	472
AUG	15	30	50	47	147	310	664	533	20	39	74	40	176	388	770	454
SEP	19	29	54	39	217	337	704	517	13	39	67	46	164	392	765	553
OCT	14	28	59	38	151	271	673	447	21	35	73	40	172	317	765	456
NOV	13	16	42	27	152	191	557	363	19	20	53	27	170	249	716	387
DEC	10	12	34	25	144	224	517	359	10	15	40	27	156	326	667	399
1980																
JAN	5	8	39	23	116	221	577	350	6	6	40	22	194	213	673	339
FEB	5	8	39	24	125	178	524	315	3	8	47	23	73	223	701	333
MAR	10	10	40	22	122	120	442	248	7	12	45	21	105	178	511	247
APR	8	12	37	20	86	116	385	202	10	15	48	23	130	156	487	257
MAY	9	13	36	19	98	122	399	206	12	15	45	21	129	122	459	203
JUN	9p	16p	48p	27p	93p	153p	528p	285p	12p	19p	59p	23p	107p	160p	695p	229p
5 months																
1980	37	51	191	108					38	56	225	110				
1979	60	111	245	193					59	124	299	195				
1978	61	137	247	221					60	153	336	222				
1977	65	143	222	218					64	160	306	221				

CONSTRUCTION STATUS

(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1979						
MAR	1,216	777	439	149	113	36
APR	1,228	793	435	142	111	31
MAY	1,259	831	428	156	113	43
JUN	1,283	837	446	166	130	36
JUL	1,300	852	448	151	116	35
AUG	1,301	860	441	159	123	36
SEP	1,283	850	433	181	125	56
OCT	1,274	837	437	174	135	39
NOV	1,226	794	432	165	121	44
DEC	1,140	717	423	174	139	35
1980						
JAN	1,088	678	410	125	94	31
FEB	1,041	644	397	126	89	37
MAR	991	609	382	130	90	40
APR	953	588	365	135	93	42
MAY	918	570	348	120	87	33
JUN	902p	566p	336p	133p	98p	43p
5 months						
1980				636	452	184
1979				702	534	168
1978				657	530	127
1977				569	457	112

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New[4]	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	Conventional: Existing	APARTMENTS[4]	CONSTRUCTION LOANS[5] ALL TYPES	FNMA: FMS Auction Yields on 4-mo. Commitments[6]: FHA/VA	Conv	GNMA Current-Securities Yield[7]	SELECTED SECURITIES: Aaa Utility New Issue	U.S. Gov't: 10-yr	U.S. Gov't: 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't
1979																
MAR	10.19	10.35	10.40	10.32	10.47	10.125-10.375		10.423	10.932	9.73	9.62	9.12	9.458	9.90	57	61
APR	n.a.	10.55	10.55	10.34	10.54	10.125-10.375		10.645	11.035	9.86	9.70	9.18	9.490	9.85	n.a.	68
MAY	10.61	10.80	10.80	10.47	10.60	10.250-10.500	12.23	10.847	11.357	10.02	9.83	9.23	9.531	9.94	78	79
JUN	10.49	10.90	10.90	10.66	10.71	10.250-10.625		10.773	11.560	9.81	9.50	8.91	9.062	9.76	99	90
JUL	10.46	10.95	11.00	10.78	10.93	10.250-10.625		10.652	11.521	9.81	9.59	8.95	9.236	9.87	87	86
AUG	10.58	11.10	11.15	11.01	11.14	10.375-10.625	12.52	10.671	11.517	9.97	9.48	8.99	9.425	10.27	110	98
SEP	11.37	11.35	11.35	11.02	11.20	10.625-10.875		11.091	11.741	10.40	9.83	9.33	10.203	11.63	154	107
OCT	n.a.	12.15	12.20	11.18	11.30	11.250-11.500		12.497	12.865	11.30	10.97	10.30	11.660	13.23	n.a.	100
NOV	12.41	12.50	12.50	11.37	11.52	11.500-12.000	15.56	12.797	13.794	11.58	11.42	10.65	11.856	13.57	99	93
DEC	12.24	12.50	12.50	11.64	11.89	11.875-12.000		12.485	12.981	11.56	11.25	10.39	11.847	13.24	99	117
1980																
JAN	12.60	12.80	12.80	11.87	12.10	11.875-12.250		12.930	13.188	11.96	11.73	10.80	11.851	13.04	87	116
FEB	n.a.	14.10	14.10	11.93	12.62	13.000-14.000	15.77	14.589	14.124	13.02	13.57	12.41	12.721	13.78	n.a.	61
MAR	14.63	16.05	16.05	12.62	12.87	n.a.		15.581	16.665	13.69	14.00	12.75	15.100	16.81	63	94
APR	13.45	15.55	15.55	13.03	13.57	n.a.		14.670	16.451	13.17	12.90	11.47	13.618	15.78	55	170
MAY	11.99	13.20	13.20	13.67	14.12	13.000-15.000	n.a.	12.855	13.535	11.54	11.53	10.18	9.149	9.49	46	136
JUN	11.85	12.45	12.45	12.69	13.31	12.250-12.750		12.360	12.946	10.89	10.96	9.78	7.218	8.27	89	111

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.
1979																				
JAN	16,226	3,485	6,228	5,821	692	12,066	3,040	5,384	3,642	73	1,042	241	439	272	90	3,045	204	405	1,907	529
FEB	13,558	3,045	5,290	4,308	843	9,936	2,387	4,669	2,880	86	893	225	337	180	151	2,572	434	284	1,248	606
MAR	16,075	2,989	7,036	4,900	1,150	12,207	2,498	6,203	3,421	85	1,041	234	417	285	105	2,827	257	416	1,194	960
APR	16,902	3,203	7,757	4,977	965	13,166	2,562	6,954	3,507	143	1,101	310	440	232	119	2,635	331	363	1,238	703
MAY	19,228	2,935	9,576	5,735	982	15,349	2,551	8,556	4,187	55	960	100	590	212	58	2,920	285	430	1,336	869
JUN	21,600	3,162	9,859	7,272	1,307	17,157	2,635	8,995	5,420	107	1,249	294	484	224	247	3,193	232	380	1,628	953
JUL	20,460	3,498	8,412	7,314	1,236	16,096	2,858	7,705	5,407	126	1,043	309	377	264	93	3,322	332	330	1,643	1,017
AUG	21,287	4,232	9,018	6,800	1,237	17,298	3,602	8,289	5,193	214	1,083	217	375	342	149	2,906	413	354	1,265	874
SEP	18,956	3,955	7,738	5,820	1,443	14,395	3,032	7,012	4,113	238	1,254	469	351	263	171	3,306	453	375	1,444	1,034
OCT	21,394	4,141	8,879	6,869	1,505	16,913	3,690	7,994	5,009	220	921	91	488	191	151	3,560	360	397	1,669	1,134
NOV	18,362	3,526	7,230	6,175	1,431	13,823	2,833	6,480	4,260	250	831	148	338	223	122	3,708	545	412	1,692	1,059
DEC	15,040	3,338	5,223	5,018	1,461	11,801	2,552	4,584	3,338	427	792	130	270	251	141	3,346	655	369	1,429	893
1980																				
JAN	12,134	2,588	4,070	4,073	1,403	8,731	2,271	3,589	2,703	168	588	82	208	204	94	2,816	236	273	1,166	1,141
FEB	11,975	2,733	4,281	3,802	1,159	8,469	2,055	3,805	2,361	248	919	454	204	148	113	2,587	224	272	1,293	798
MAR	14,187	2,632	5,487	4,509	1,559	10,372	2,085	4,955	2,899	433	517	72	224	135	86	3,298	475	308	1,475	1,040
APR	12,363	2,297	4,707	4,111	1,248	8,868	1,662	4,216	2,749	241	614	94	218	137	165	2,881	541	273	1,225	842
MAY	9,852	2,080	3,536	3,301	935	6,860	1,606	2,996	2,051	207	429	41	220	102	66	2,563	433	320	1,148	662

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[5]	Life Cos.
1979										
JAN	74,425	15,750	23,700	11,120	23,855	13,169	3,687	5,387	2,375	1,720
FEB	75,584	15,184	24,960	11,435	24,005	12,888	3,344	5,959	2,250	1,335
MAR	79,191	15,430	27,707	11,390	24,664	17,121	3,853	8,608	2,543	2,117
APR	79,095	12,675	29,054	12,054	25,312	18,058	3,433	9,428	3,287	1,910
MAY	84,252	14,123	30,140	13,016	26,973	20,870	3,803	10,387	3,776	2,904
JUN	84,305	13,676	29,350	13,155	28,124	18,739	3,163	9,003	3,857	2,716
JUL	86,870	16,501	28,818	12,817	28,734	20,028	3,547	8,167	3,266	5,048
AUG	85,014	14,153	28,379	13,195	29,287	19,816	5,466	8,852	3,335	2,163
SEP	85,090	14,619	28,373	11,974	30,124	16,809	4,073	7,730	2,530	2,476
OCT	83,042	14,258	27,084	11,493	30,207	16,943	4,014	7,992	2,916	2,021
NOV	79,324	14,824	23,714	11,315	29,471	12,023	3,415	4,741	2,407	1,460
DEC	73,350	13,473	21,467	10,504	27,906	8,533	2,608	3,248	1,892	785
1980										
JAN	67,753	11,983	20,502	8,929	26,339	8,579	2,984	3,510	1,545	540
FEB	68,818	12,333	21,351	9,717	25,417	9,400	2,046	5,017	1,637	700
MAR	66,122	11,974	20,424	9,215	24,509	9,924	2,372	4,782	1,850	920
APR	60,999	10,500	18,597	8,286	23,616	7,126	1,964	3,147	1,276	739
MAY	58,833	10,336	17,762	8,011	22,724	7,051	2,958	2,802	901	390

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
				Total		FHA (203)		VA		Private	
	FHA/VA Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1979											
JAN	118	79	39	109	4,393	29	963	33	1,419	47	2,011
FEB	114	74	40	93	3,861	27	936	31	1,367	35	1,558
MAR	157	102	55	98	4,023	25	855	32	1,415	41	1,753
APR	169	106	63	90	3,741	19	665	24	1,075	47	2,001
MAY	185	116	69	102	4,246	23	806	24	1,082	55	2,358
JUN	166	103	63	103	4,338	24	846	24	1,096	55	2,396
JUL	170	112	58	117	4,996	29	1,058	31	1,423	57	2,515
AUG	177	118	59	116	5,042	25	912	35	1,695	56	2,435
SEP	150	100	50	104	4,646	20	744	39	1,910	45	1,992
OCT	155	98	57	104	4,580	29	1,092	22	1,100	53	2,388
NOV	102	64	40	102	4,493	27	1,004	29	1,391	46	2,098
DEC	116	76	40	91	4,117	20	769	31	1,531	40	1,817
1980											
JAN	90	66	24	100	4,534	31	1,142	39	1,956	30	1,436
FEB	91	63	28	71	3,153	21	753	26	1,301	24	1,099
MAR	101	61	40	74	3,371	18	696	27	1,329	29	1,346
APR	90	58	32	76	3,473	20	746	23	1,149	33	1,578
MAY	101	76	25	56	2,608	13	483	17	848	26	1,277

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA Bid	FHA/VA Accept	Conventional Bid	Conventional Accept					Applications	Issued
1979										
MAR	508	284	145	114	71	427	350	116	2,680	1,453
APR	1,323	638	662	364	517	492	358	363	5,907	1,488
MAY	426	185	459	214	503	601	560	572	3,089	1,673
JUN	220	100	358	195	277	462	447	182	3,621	1,860
JUL	133	70	94	70	160	517	518	320	6,211	2,032
AUG	162	83	246	184	184	581	636	354	5,105	2,933
SEP	1,421	600	527	326	343	437	537	347	4,012	2,640
OCT	2,943	1,130	1,050	431	828	504	552	531	6,509	2,639
NOV	558	265	366	190	0	221	458	186	7,410	3,250
DEC	649	249	413	152	0	199	403	211	3,539	1,894
1980										
JAN	516	232	443	247	26	296	279	180	4,265	2,611
FEB	1,169	564	412	148	225	197	248	207	2,178	1,354
MAR	1,267	426	919	240	242	186	193	106	5,124	1,125
APR	494	199	135	66	85	189	231	200	4,509	1,778
MAY	609	214	280	109	62	491	176	391	5,281	1,127
JUN	603	267	170	76	92	577	225	230	6,627	1,320

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
MAR	174	102	31	41	31	4,690	1,516	1,358	1,816
APR	205	115	40	51	49	3,626	1,227	978	1,421
MAY	201	121	34	46	57	3,620	1,390	805	1,425
JUN	242	154	38	50	50	3,907	1,542	1,030	1,335
JUL	242	127	49	65	56	3,721	1,305	950	1,466
AUG	277	128	57	92	74	4,048	1,562	1,335	1,151
SEP	285	119	40	127	137	3,764	1,617	860	1,287
OCT	302	118	41	143	41	4,153	1,261	1,559	1,333
NOV	216	84	49	84	36	4,815	1,229	2,015	1,571
DEC	249	92	44	113	35	3,552	1,082	981	1,489
1980									
JAN	231	84	42	105	27	3,554	1,196	1,079	1,279
FEB	207	80	49	78	31	4,512	1,160	1,652	1,700
MAR	259	91	46	121	24	4,272	1,201	1,585	1,486
APR	191	71	40	81	59	3,484	1,104	1,042	1,338
MAY	209	88	47	74	72	4,254	965	1,789	1,500
JUN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.-Not available, p-Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Benchmark rates, Citicorp Real Estate, Inc.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

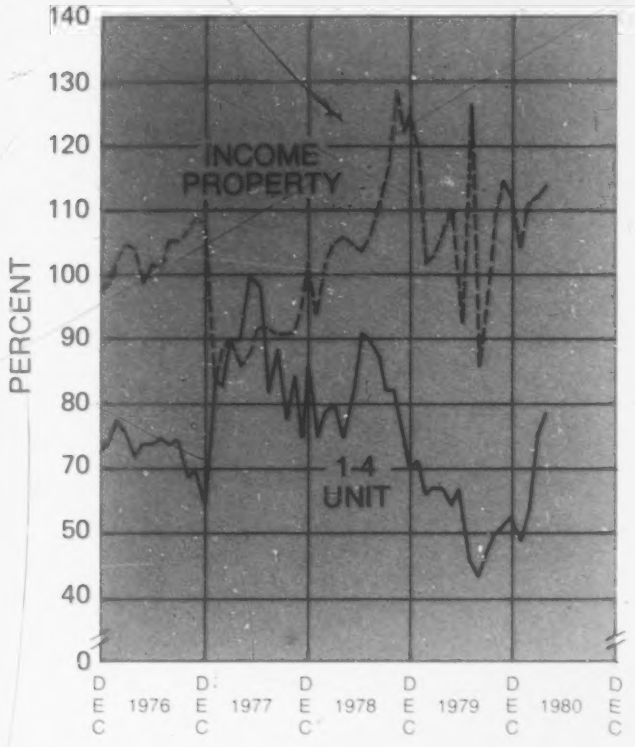
[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

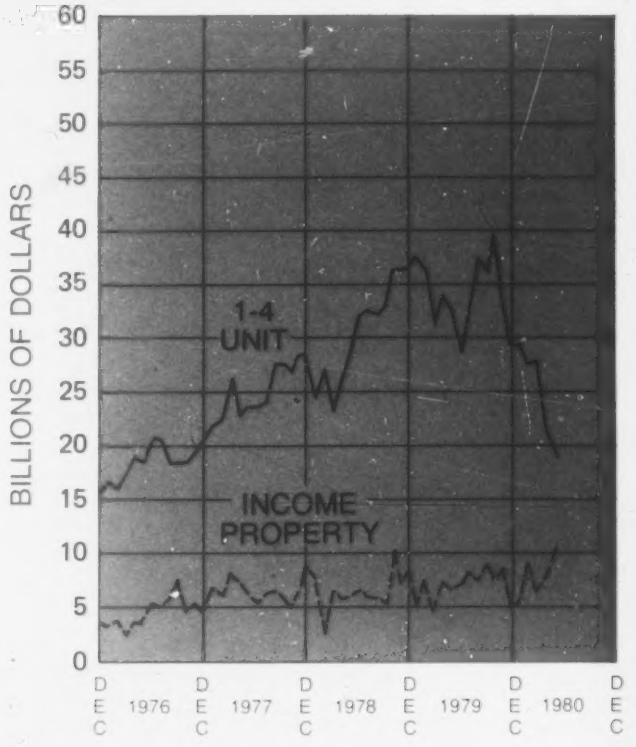
[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate, Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

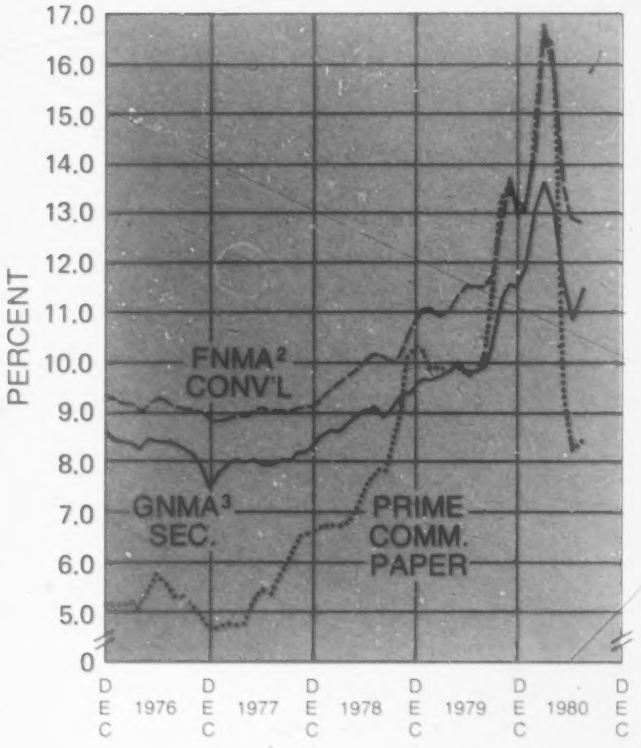
MORTGAGE BANKERS' LONG-TERM MORTGAGE COVERAGE[1]



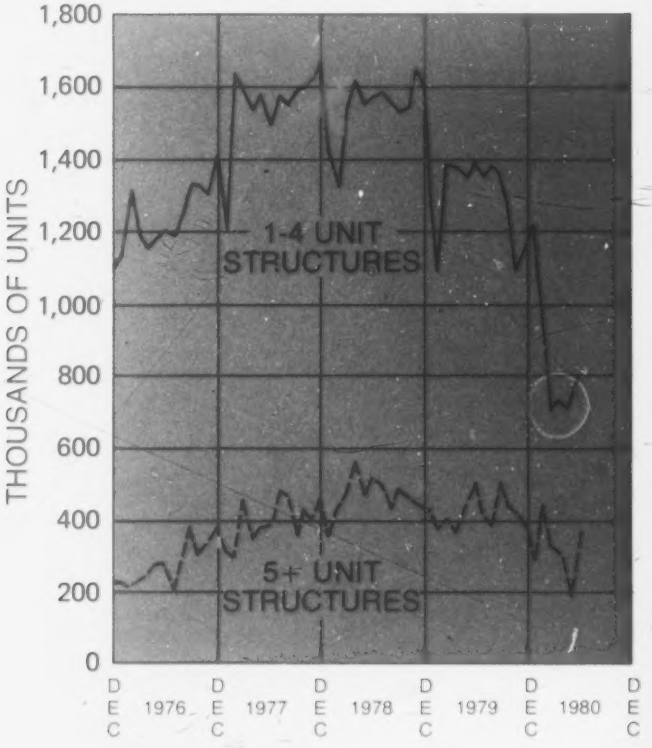
MORTGAGE BANKERS' LONG-TERM MORTGAGE LOANS CLOSED[4]



SELECTED YIELDS



HOUSING STARTS[4]



FOOTNOTES:
1. OUTSTANDING LONG-TERM COMMITMENTS RECEIVED FROM INVESTORS DIVIDED BY THE SUM OF OUTSTANDING END OF MONTH INVENTORY AND OUTSTANDING LONG-TERM COMMITMENTS ISSUED TO BORROWERS, MULTIPLIED BY 100.
2. WEIGHTED AVERAGE GROSS YIELDS FOR ACCEPTED BIDS OF ALL FNMA FREE MARKET AUCTIONS DURING THAT MONTH.
3. SURVEY OF THREE NEW YORK SECURITY DEALERS. SECURITIES FOR IMMEDIATE DELIVERY.
4. SEASONALLY ADJUSTED ANNUAL RATES.

SOURCES: BUREAU OF THE CENSUS, FEDERAL NATIONAL MORTGAGE ASSOCIATION, FEDERAL RESERVE BOARD, MORTGAGE BANKERS ASSOCIATION.

MBA—ECONOMICS DEPARTMENT